

SCIPIO TOWN
FINANCIAL STATEMENTS
JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Scipio Town
Scipio, Utah 84656

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scipio Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Scipio Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scipio Town Corporation as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2007, on our consideration of Scipio Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 41 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Town Board
Scipio Town

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scipio Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Scipio Town. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Kimball & Roberts". The signature is written in dark ink and is positioned above a horizontal line.

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

January 29, 2007
Richfield, Utah

SCIPIO TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2006

This discussion of Scipio Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and public improvements, and parks and recreation.

Financial Highlights

- * The assets of the Town exceeded its liabilities as of the close of the most recent year by \$1,457,201 (net assets). Of this amount, \$493,105 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$137,227. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Town's governmental funds reported ending fund balance of \$483,282, an increase of \$121,690 in comparison with the prior year. Approximately 74 percent of this total amount, \$355,217 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$245,100, or 87 percent of total general fund expenditures.
- * The Town's total debt increased by \$84,436 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, highways and public improvements, and parks and recreation. The business-type activities of the Town are water and sanitation operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Scipio Town maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund,

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Scipio Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sanitation.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Scipio Town, assets exceeded liabilities by \$1,457,201 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (55 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$493,105, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Scipio Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	483,282	369,183	183,350	189,791	666,632	558,974
Capital Assets	712,701	570,934	336,666	373,091	1,049,367	944,025
Total Assets	1,195,983	940,117	520,016	562,882	1,715,999	1,502,999
Long-Term Liabilities	100,000	-	151,435	166,999	251,435	166,999
Other Liabilities	-	7,591	7,363	8,435	7,363	16,026
Total Liabilities	100,000	7,591	158,798	175,434	258,798	183,025
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	612,701	570,934	185,231	206,092	797,932	777,026
Restricted	128,065	88,206	38,099	39,324	166,164	127,530
Unrestricted	355,217	273,386	137,888	142,032	493,105	415,418
Total Net Assets	1,095,983	932,526	361,218	387,448	1,457,201	1,319,974

Governmental Activities

Governmental activities increased Scipio Town's net assets by \$163,457.

Scipio Town's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	33,664	57,388	68,881	75,762	102,545	133,150
Operating Grants	37,570	46,908	-	-	37,570	46,908
Capital Grants	145,464	-	-	-	145,464	-
Impact Fees	-	-	1,590	17,378	1,590	17,378
General Revenues:						
Property Taxes	11,491	8,809	-	-	11,491	8,809
Other Taxes	63,516	42,087	-	-	63,516	42,087
Unrestricted Investment Earnings	13,890	8,142	7,485	4,028	21,375	12,170
Total Revenues	305,595	163,334	77,956	97,168	383,551	260,502
Expenses:						
General Government	35,554	46,882	-	-	35,554	46,882
Public Safety	30,970	53,621	-	-	30,970	53,621
Highways and Public Improvements	56,304	44,862	-	-	56,304	44,862
Culture and Recreation	19,310	16,775	-	-	19,310	16,775
Interest on Long-Term Debt	-	-	4,202	7,164	4,202	7,164
Water and Sanitation	-	-	99,984	84,739	99,984	84,739
Total Expenses	142,138	162,140	104,186	91,903	246,324	254,043
Increase in Net Assets Before Transfers	163,457	1,194	(26,230)	5,265	137,227	6,459
Transfers	-	-	-	-	-	-
Increase in Net Assets	163,457	1,194	(26,230)	5,265	137,227	6,459
Net Assets - Beginning	932,526	931,332	387,448	382,183	1,319,974	1,313,515
Net Assets - Ending	1,095,983	932,526	361,218	387,448	1,457,201	1,319,974

* The Town received operating grants of \$37,570. Of this amount, \$35,670 was received for Class C Roads. The other operating grants are for parks and emergency services.

* They received capital grants from CIB of \$104,000 and CDBG of \$41,464.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities decreased the Town's net assets by \$26,230. No operating grants were received.

- * An Impact Fee ordinance was adopted during the year, and subsequently \$1,590 was collected on three new businesses in Town.
- * The total increase in the business-type activities costs for the water fund is attributed to increased operating costs.
- * The depreciation in the enterprise fund was the same as the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental funds reported ending fund balances of \$483,282 an increase of \$121,690 in comparison with the prior year. Approximately 74 percent of this amount, 355,217, constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to Perpetual Care for \$58,065 and Class C Roads for \$70,000.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 87 percent of total general fund expenditures, while total fund balance represents 112 percent of that same amount.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year was \$137,888.

General Fund Budgetary Highlights

There was a \$2,000 difference between the original budget and the final amended budget.

Actual revenues were more than budgeted revenues by \$12,647 and actual expenditures were less than budgeted expenditures by \$109,184 resulting in a net increase in fund balance of \$121,831.

Capital Asset and Debt Administration

Capital Assets

Scipio Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$712,701 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and infrastructure, which includes roads and highways.

The town made two investments in capital assets during the year. They were bleachers for the park and road improvements.

Scipio Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	14,600	14,600	-	-	14,600	14,600
Infrastructure	452,150	330,000	-	-	452,150	330,000
Buildings	178,451	145,334	-	-	178,451	145,334
Improvements Other than Buildings	-	-	336,666	373,091	336,666	373,091
Equipment	67,500	81,000	-	-	67,500	81,000
Total	712,701	570,934	336,666	373,091	1,049,367	944,025

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$251,435. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Scipio Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	100,000	-	151,435	166,999	251,435	166,999

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

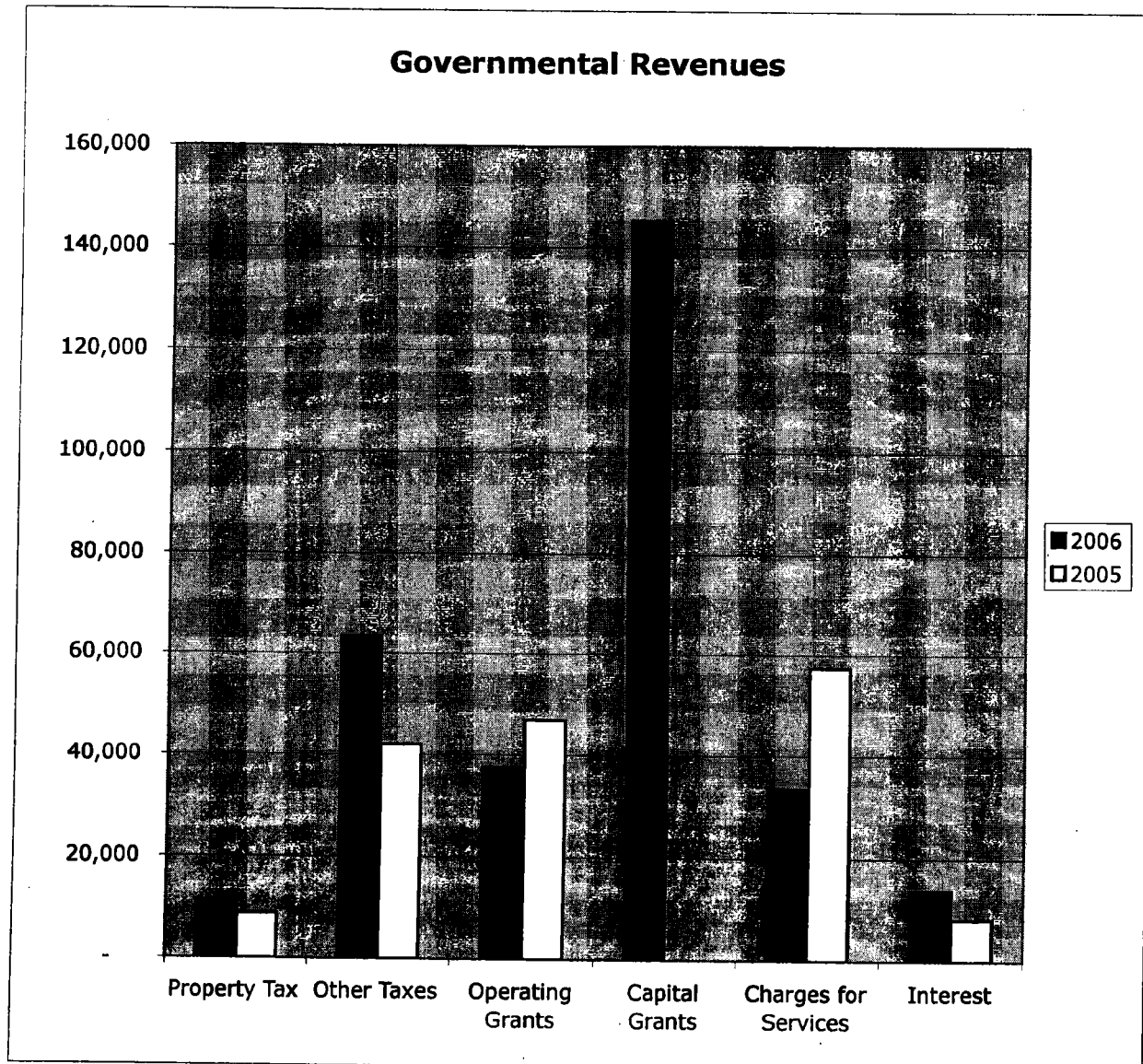
Additional information on Scipio Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Scipio Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Scipio Town Clerk, P.O. Box 63, Scipio, Utah, 84656.

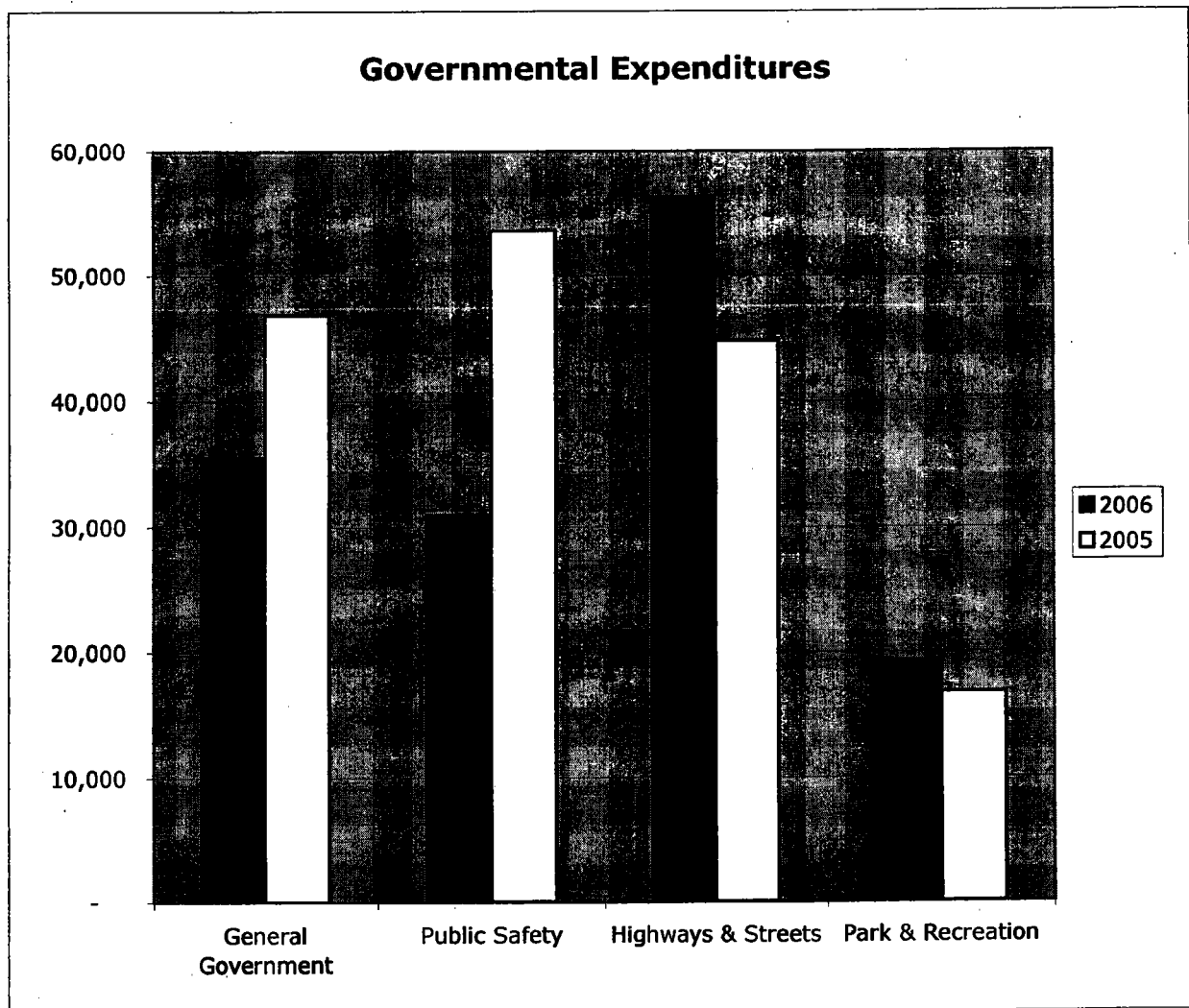
**Scipio Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
Property Tax	11,491	8,809
Other Taxes	63,516	42,087
Operating Grants	37,570	46,908
Capital Grants	145,464	
Charges for Services	33,664	57,388
Interest	13,890	8,142
Total Revenues	305,595	163,334



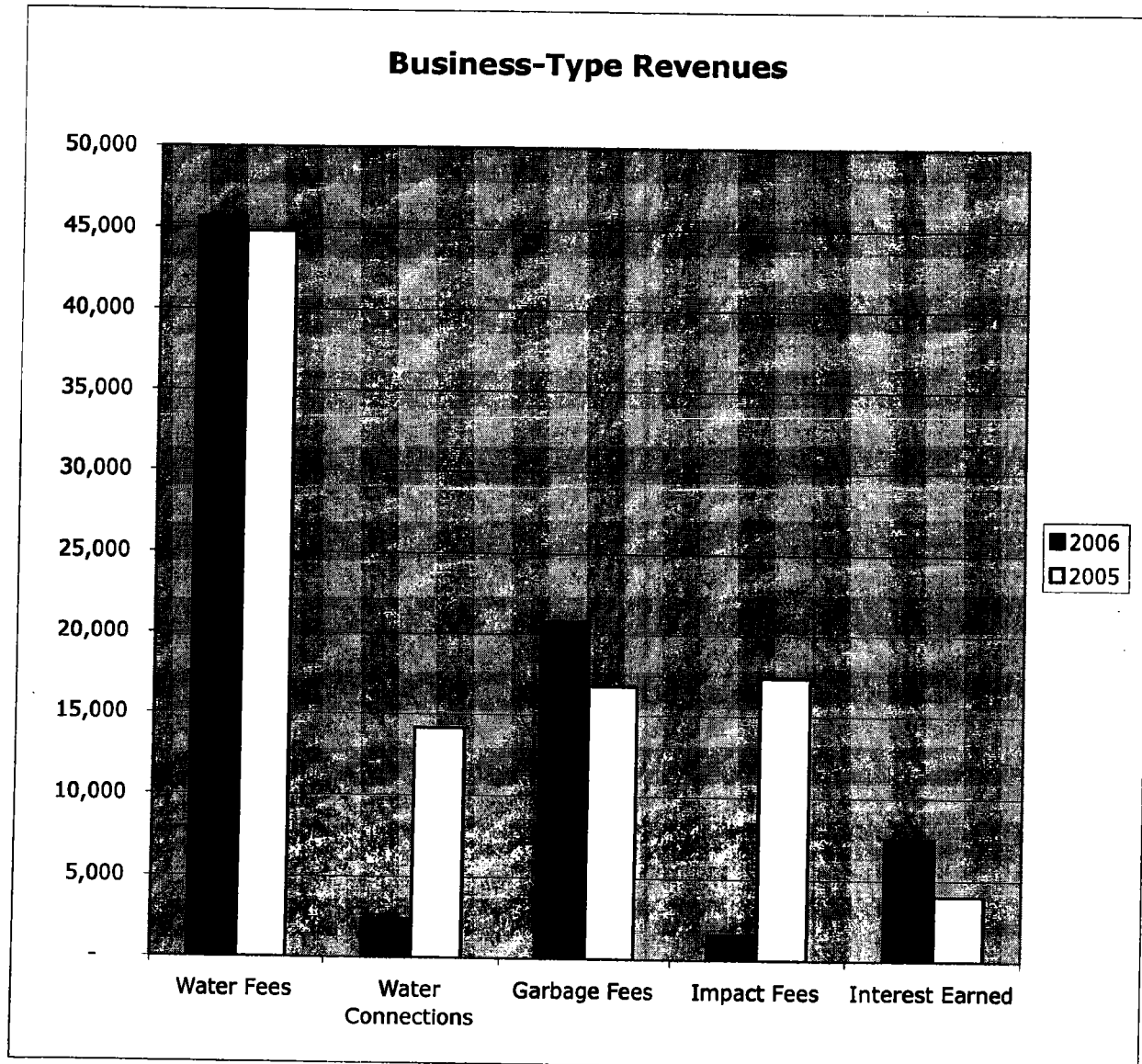
Scipio Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
General Government	35,554	46,882
Public Safety	30,970	53,621
Highways & Streets	56,304	44,862
Park & Recreation	19,310	16,775
Total Expenditures	142,138	162,140



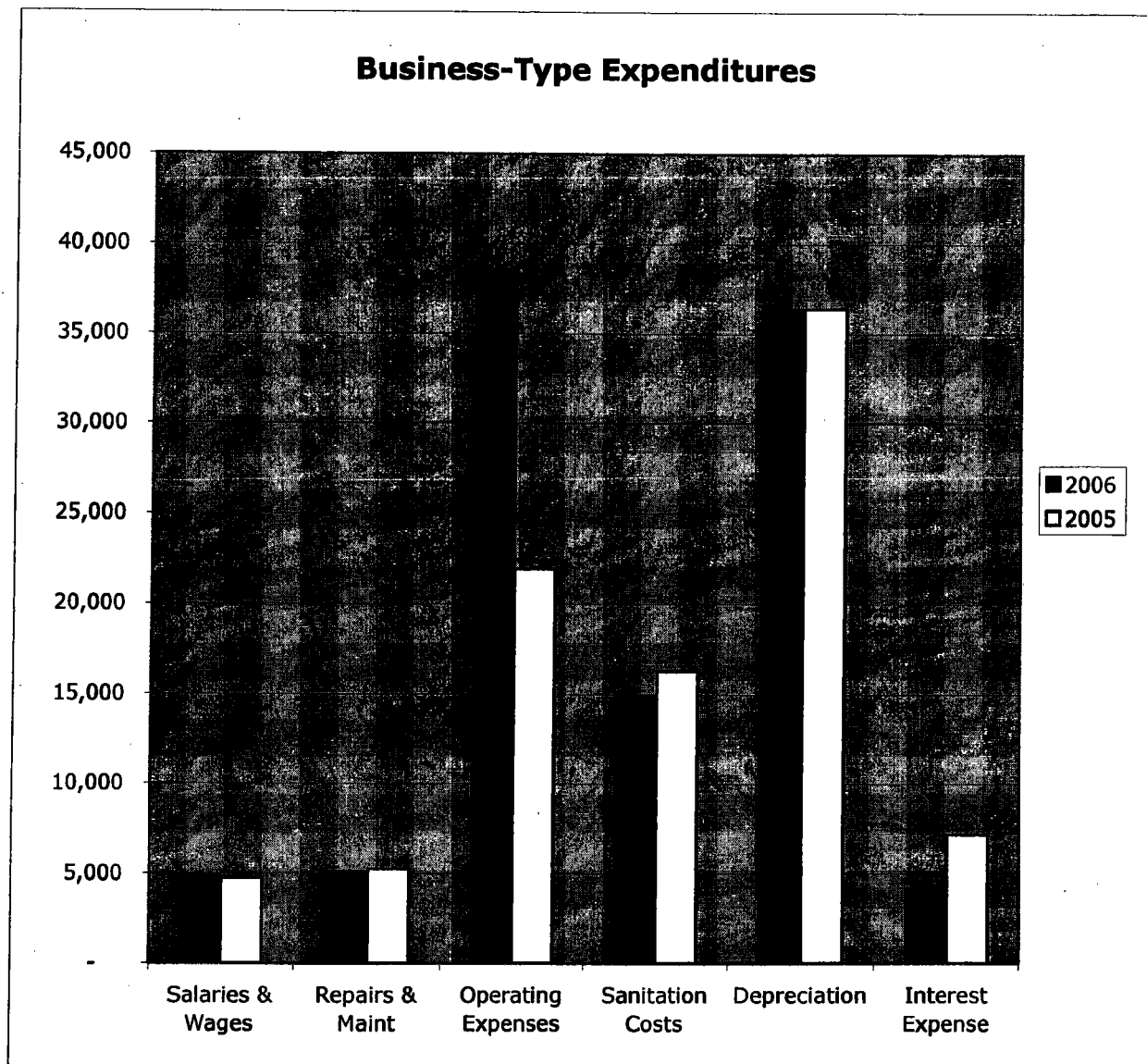
Scipio Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Water Fees	45,698	44,816
Water Connections	2,366	14,160
Garbage Fees	20,817	16,786
Impact Fees	1,590	17,378
Interest Earned	7,485	4,028
Total Revenues	77,956	97,168



Scipio Town
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Salaries & Wages	4,864	4,759
Repairs & Maint	5,131	5,261
Operating Expenses	38,594	21,966
Sanitation Costs	14,970	16,328
Depreciation	36,425	36,425
Interest Expense	4,202	7,164
Total Expenditures	104,186	91,903



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**SCIPIO TOWN
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	475,820	130,559	606,379
Accounts Receivable (Net)	-	18,724	18,724
Due From Other Government Units	7,462	-	7,462
Total Current Assets	483,282	149,283	632,565
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	34,067	34,067
Capital Assets (Net of Accumulated Depreciation):			
Land	14,600	-	14,600
Buildings	178,451	-	178,451
Equipment	67,500	-	67,500
Water Distribution System	-	336,666	336,666
Infrastructure	452,150	-	452,150
Total Noncurrent Assets	712,701	370,733	1,083,434
TOTAL ASSETS	1,195,983	520,016	1,715,999
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	4,813	4,813
Accrued Interest Payable	-	2,550	2,550
Revenue Bonds Payable - Due Within One Year	10,000	16,172	26,172
Total Current Liabilities	10,000	23,535	33,535
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	90,000	135,263	225,263
TOTAL LIABILITIES	100,000	158,798	258,798
NET ASSETS			
Investment in Capital Assets, Net of Debt	612,701	185,231	797,932
Restricted For:			
Bond Retirement	-	34,067	34,067
Impact Fees	-	4,032	4,032
Class C Roads	70,000	-	70,000
Perpetual Care	58,065	-	58,065
Unrestricted	355,217	137,888	493,105
TOTAL NET ASSETS	1,095,983	361,218	1,457,201
TOTAL LIABILITIES AND NET ASSETS	1,195,983	520,016	1,715,999

The notes to the financial statements are an integral part of this statement.

SCIPIO TOWN
STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Function/Programs Primary Government:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:						
General Government	35,554	3,451	-	-	(32,103)	-
Public Safety	30,970	30,213	1,900	-	1,143	-
Highways and Public Improvements	56,304	-	35,670	104,000	83,366	-
Parks and Recreation	19,310	-	-	41,464	22,154	-
Total Governmental Activities	142,138	33,664	37,570	145,464	74,560	-
Business-Type Activities:						
Utility Fund	104,186	68,881	-	-	-	(35,305)
Total Primary Government	246,324	102,545	37,570	145,464	74,560	(35,305)
General Revenues:						
Property Taxes					11,491	-
Fee-In-Lieu of Property Taxes					876	-
Sales Taxes					49,559	-
Franchise Taxes					13,081	-
Impact Fees					-	1,590
Unrestricted Investment Earnings					13,890	7,485
Total General Revenues and Transfers					88,897	9,075
Change in Net Assets					163,457	(26,230)
Net Assets - Beginning					932,526	387,448
Net Assets - Ending					1,095,983	361,218

The notes to the financial statements are an integral part of this statement.

**SCIPIO TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	307,638	168,182	475,820
Due From Other Government Units	7,462	-	7,462
TOTAL ASSETS	<u>315,100</u>	<u>168,182</u>	<u>483,282</u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved For:			
Class C Roads	70,000	-	70,000
Perpetual Care	-	58,065	58,065
Unreserved, Reported In:			
General Fund	245,100	-	245,100
Capital Project Fund	<u>-</u>	<u>110,117</u>	<u>110,117</u>
Total Fund Balance	<u>315,100</u>	<u>168,182</u>	<u>483,282</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>315,100</u>	<u>168,182</u>	<u>483,282</u>

The notes to the financial statements are an integral part of this statement.

SCIPIO TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	483,282
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	14,600	
Buildings	178,451	
Equipment	67,500	
Infrastructure	<u>452,150</u>	

Total		<u>712,701</u>
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Net Assets of Government Activities	<u><u>1,195,983</u></u>
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SCIPIO TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	75,007	-	75,007
Licenses and Permits	3,450	-	3,450
Intergovernmental Revenue	182,804	-	182,804
Charges for Services	30,213	-	30,213
Interest	12,060	1,830	13,890
Miscellaneous Revenues	231	-	231
	<u>303,765</u>	<u>1,830</u>	<u>305,595</u>
Total Revenues			
	<u>303,765</u>	<u>1,830</u>	<u>305,595</u>
Expenditures:			
Current:			
General Government	34,096	-	34,096
Public Safety	19,345	-	19,345
Highways and Public Improvements	3,954	-	3,954
Parks and Recreation	11,539	1,971	13,510
Capital Outlay	213,000	-	213,000
	<u>281,934</u>	<u>1,971</u>	<u>283,905</u>
Total Expenditures			
	<u>281,934</u>	<u>1,971</u>	<u>283,905</u>
Excess Revenues Over (Under) Expenditures	21,831	(141)	21,690
Other Financing Sources (Uses):			
Class C Road Revenue Bond Proceeds	100,000	-	100,000
	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net Changes in Fund Balance			
	121,831	(141)	121,690
Fund Balance - Beginning	193,269	168,323	361,592
	<u>193,269</u>	<u>168,323</u>	<u>361,592</u>
Fund Balance - Ending	315,100	168,182	483,282
	<u>315,100</u>	<u>168,182</u>	<u>483,282</u>

The notes to the financial statements are an integral part of this statement.

SCIPIO TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	121,690
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	213,000	
Depreciation Expense	<u>(71,233)</u>	
Total		<u>141,767</u>

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Revenue Bond Proceeds	<u>(100,000)</u>	
Total		<u>(100,000)</u>

Changes In Net Assets of Governmental Activities	<u><u>163,457</u></u>
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**SCIPIO TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business Type Activity Enterprise Fund		
	Water Fund	Garbage Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	116,513	14,046	130,559
Accounts Receivable	12,918	5,806	18,724
Total Current Assets	129,431	19,852	149,283
Noncurrent Assets:			
Investments - Restricted:			
Bond Retirement	34,067	-	34,067
Capital Assets: (Net of Accum. Depr.)			
Water System	336,666	-	336,666
Total Noncurrent Assets	370,733	-	370,733
TOTAL ASSETS	500,164	19,852	520,016
LIABILITIES:			
Current Liabilities:			
Accounts Payable	-	4,813	4,813
Bond Interest Payable	2,550	-	2,550
Bonds Payable - Current Portion	16,172	-	16,172
Total Current Liabilities	18,722	4,813	23,535
Noncurrent Liabilities:			
Bonds Payable - Long-Term Portion	135,263	-	135,263
TOTAL LIABILITIES	153,985	4,813	158,798
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	185,231	-	185,231
Restricted for:			
Bonded Retirement	34,067	-	34,067
Impact Fees	4,032	-	4,032
Unrestricted	122,849	15,039	137,888
TOTAL NET ASSETS	346,179	15,039	361,218
TOTAL LIABILITIES AND NET ASSETS	500,164	19,852	520,016

The notes to the financial statements are an integral part of this statement.

SCIPIO TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business Type Activity		
	Enterprise Fund		
	Water Fund	Garbage Fund	Total
Operating Revenues:			
Charges for Sales and Services:			
Water	45,698	-	45,698
Garbage Fees	-	20,817	20,817
Other	942	1,424	2,366
Total Operating Revenues	46,640	22,241	68,881
Operating Expenses:			
Salaries and Wages	4,864	-	4,864
Repairs and Maintenance	2,084	-	2,084
Materials and Supplies	3,047	-	3,047
Utilities and Telephone	1,821	-	1,821
Contract Labor	31,698	-	31,698
Sanitation Costs	-	14,970	14,970
Other	5,075	-	5,075
Depreciation	36,425	-	36,425
Total Operating Expenses	85,014	14,970	99,984
Operating Income	(38,374)	7,271	(31,103)
Nonoperating Revenues (Expenses):			
Investment Earnings	7,485	-	7,485
Impact Fees	1,590	-	1,590
Interest Expense	(4,202)	-	(4,202)
Total Nonoperating Revenues (Expenses)	4,873	-	4,873
Change in Net Assets	(33,501)	7,271	(26,230)
Total Net Assets - Beginning	379,680	7,768	387,448
Total Net Assets - Ending	346,179	15,039	361,218

The notes to the financial statements are an integral part of this statement.

**SCIPIO TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business Type Activity Enterprise Fund		
	Water Fund	Garbage Fund	Total
Cash Flows From Operating Activities:			
Receipts From Customers	45,751	21,880	67,631
Payments to Suppliers	(44,170)	(15,247)	(59,417)
Payments to Employees	(4,864)	-	(4,864)
Net Cash Provided by Operating Activities	(3,283)	6,633	3,350
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(15,564)	-	(15,564)
Interest Paid on Capital Debt	(4,452)	-	(4,452)
Net Cash Provided (Used) by Capital and Related Financing Activities	(20,016)	-	(20,016)
Cash Flows from Investing Activities:			
Interest Received	7,485	-	7,485
Impact Fees	1,590	-	1,590
Net Cash Provided (Used) by Investing Activities	9,075	-	9,075
Net Increase (Decrease) in Cash and Cash Equivalents	(14,224)	6,633	(7,591)
Cash and Cash Equivalents - Beginning	164,804	7,413	172,217
Cash and Cash Equivalents - Ending	150,580	14,046	164,626
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	(38,374)	7,271	(31,103)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:			
Depreciation	36,425	-	36,425
Increase (Decrease) in Operating Assets:			
Accounts Receivable	(889)	(261)	(1,150)
Accounts Payable	(445)	(377)	(822)
Total Adjustments	35,091	(638)	34,453
Net Cash Provided (Used) by Operating Activities	(3,283)	6,633	3,350

The notes to the financial statements are an integral part of this statement.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Scipio Town conform to accounting principles generally accepted in the United States of America principles as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Scipio Town is a municipal corporation in Millard County, Utah. It is governed by an elected mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Scipio Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Scipio Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government also reports the following Other Governmental Funds:

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Water System	25 Years
Equipment	5 - 10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the Town by Millard County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

The Town's carrying amount of bank deposits at June 30, 2006, was \$101,409 and the bank balance was \$103,310. Of this amount \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	101,409
Investments - PTIF	<u>539,037</u>
Total Cash and Investments	<u><u>640,446</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	475,820
Business-Type Activities - Unrestricted	130,559
Business-Type Activities - Restricted	<u>34,067</u>
Total Cash and Cash Equivalents	<u><u>640,446</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$3,310 of the local government's bank balances of \$103,310 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$539,037 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

SCIPPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

Bond covenants require that the Town contribute monthly to a "General Sinking Fund" which is used to make annual payments of principal and interest. The covenants also require that a "Bond Reserve Fund" be maintained.

	<u>General Sinking Fund</u>	<u>Bond Reserve</u>	<u>Total</u>
Board of Water Resources	6,457	9,460	15,917
Community Impact Board	<u>6,050</u>	<u>12,100</u>	<u>18,150</u>
Total	<u><u>12,507</u></u>	<u><u>21,560</u></u>	<u><u>34,067</u></u>

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	5,000	-	-	5,000
Land Under Roads	<u>9,600</u>	<u>-</u>	<u>-</u>	<u>9,600</u>
 Total Capital Assets Not Being Depreciated	 <u>14,600</u>	 <u>-</u>	 <u>-</u>	 <u>14,600</u>
Capital Assets Being Depreciated:				
Buildings	210,000	41,000	-	251,000
Machinery and Equipment	135,000	-	-	135,000
Infrastructure	<u>825,000</u>	<u>172,000</u>	<u>-</u>	<u>997,000</u>
 Total Capital Assets Being Depreciated	 <u>1,170,000</u>	 <u>213,000</u>	 <u>-</u>	 <u>1,383,000</u>
Less Accumulated Depreciation For:				
Buildings	64,666	7,883	-	72,549
Machinery and Equipment	54,000	13,500	-	67,500
Infrastructure	<u>495,000</u>	<u>49,850</u>	<u>-</u>	<u>544,850</u>
 Total Accumulated Depreciation	 <u>613,666</u>	 <u>71,233</u>	 <u>-</u>	 <u>684,899</u>
 Total Capital Assets Being Depreciated (Net)	 <u>556,334</u>	 <u>141,767</u>	 <u>-</u>	 <u>698,101</u>
 Governmental Activities Capital Assets, Net	 <u>570,934</u>	 <u>141,767</u>	 <u>-</u>	 <u>712,701</u>

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Water System	<u>910,858</u>	<u>-</u>	<u>-</u>	<u>910,858</u>
 Total Capital Assets Not Being Depreciated	<u>910,858</u>	<u>-</u>	<u>-</u>	<u>910,858</u>
 Less Accumulated Depreciation For:				
Water System	<u>537,767</u>	<u>36,425</u>	<u>-</u>	<u>574,192</u>
 Total Accumulated Depreciation	<u>537,767</u>	<u>36,425</u>	<u>-</u>	<u>574,192</u>
 Total Capital Assets Being Depreciated (Net)	<u>373,091</u>	<u>(36,425)</u>	<u>-</u>	<u>336,666</u>
 Business Type Activities Capital Assets, Net	<u>373,091</u>	<u>(36,425)</u>	<u>-</u>	<u>336,666</u>
 Total Capital Assets	<u>944,025</u>	<u>105,342</u>	<u>-</u>	<u>1,049,367</u>

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	1,458	-	1,458
Public Safety	11,625	-	11,625
Public Health	-	36,425	36,425
Highways and Public Improvements	52,350	-	52,350
Parks and Recreation	<u>5,800</u>	<u>-</u>	<u>5,800</u>
 Total Depreciation Expense	<u>71,233</u>	<u>36,425</u>	<u>107,658</u>

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG-TERM DEBT

The following is a schedule of changes in bonds payable at June 30, 2006:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Governmental Long-Term Debt:							
CIB Road Revenue Bond	2005	0%	100,000	-	100,000	-	100,000
Utility Long-Term Debt:							
CIB Loan	1985	0%	142,500	28,500	-	5,700	22,800
CIB Loan	1985	4%	100,000	28,499	-	4,864	23,635
Drinking Water Board Loan	2004	4%	114,000	110,000	-	5,000	105,000
Total Utility			356,500	166,999	-	15,564	151,435
Total Long-Term Debt			456,500	166,999	100,000	15,564	251,435

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of Utility Long-Term Debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	26,172	3,712	29,884
2008	26,391	3,360	29,751
2009	26,618	3,001	29,619
2010	27,254	2,629	29,883
2011	15,000	2,253	17,253
2012-2016	78,000	9,196	87,196
2017-2021	31,000	5,300	36,300
2022-2026	<u>21,000</u>	<u>1,114</u>	<u>22,114</u>
Total	<u>251,435</u>	<u>30,565</u>	<u>282,000</u>

NOTE 6 - CLASS C ROADS

The following is a schedule of receipts and disbursements in Class C Roads:

Fund Balance - Beginning of Year	30,000
Receipts:	
State of Utah	36,502
Interest	<u>3,498</u>
Total Receipts	40,000
Disbursements	<u>-</u>
Fund Balance - End of Year	<u>70,000</u>

On May 11, 2005, the Town issued \$100,000 of Road Revenue Bonds through the Community Impact Fund Board with a 0% interest. Class C Road funds are pledged at \$10,000 a year beginning April 1, 2007 through 2016 to retire the debt.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - PERPETUAL CARE FUND

The following is a schedule of receipts and disbursements in the Perpetual Care Fund:

Fund Balance - Beginning of Year	58,206
Receipts	1,830
Disbursements	<u>(1,971)</u>
Fund Balance - End of Year	<u>58,065</u>

NOTE 8 - WATER IMPACT FEES

On August 20, 2004, Scipio Town adopted a water impact Fee ordinance to encourage and expedite the orderly growth and development of the Town. The impact fee, calculated as an expression of new equivalent residential connection, imposed as a condition precedent to a water connection is used to offset the proportionate impact of the development activity.

The impact fee schedule is based on an "Equivalent Residential Connection" as follows:

Base water impact is \$1,533 based on an average of 400 gallons of water used per day.

Based on 400 gallons of water used per day. The applicant's impact fee is computed based on their estimated number of gallons of water to be used per day. This is divided by 400 to arrive at the ERC's for this development. The ERC's are multiplied by \$1,533 to arrive at the water impact fee.

The base ERC is increased every year by 3.03% inflation rate.

The impact fee study was performed by Wall Engineering, Fillmore, Utah. The study addresses the calculations and computations of the ERC as noted above.

The Town is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for a system or other expenditures allowed by law.

These funds must be expended within six years from receipt or refunded with interest to the payer.

The total impact fees and interest collected through June 30, 2006, were \$18,968. Expenditures to date totaled \$14,936. The balance at year end was \$4,032.

SCIPIO TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Association of Towns Insurance Mutual, a self-funded risk financing pool administered by the Utah Association of Towns. Through the Mutual the Town maintains general liability, errors and omissions, flood, earthquake, newly acquired property, builders risk, unscheduled locations, and crime. The Mutual is reinsured through commercial companies in excess of \$150,000 for property to a limit of \$50,000,000 and \$250,000 for liability to a limit of \$750,000 with a combined excess aggregate of \$1,000,000 to \$1,350,000. The mutual does not provide coverage for all risks and hazards, however, the Town has obtained coverage for these risks through other commercial carriers for employee accidental death and dismemberment, workers compensation and surety bond coverage.

Claims have not exceeded coverage in any of the last three calendar years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

SCIPIO TOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Fiscal Year Ended June 30, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations:

For the year ended June 30, 2006, spending for all funds and departments of the Town was within the approved budgets.

**SCIPPIO TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	9,000	9,000	11,491	2,491
General Sales and Use Taxes	32,000	32,000	49,559	17,559
Fee-In-Lieu	2,500	2,500	876	(1,624)
Franchise Taxes	11,000	11,000	13,081	2,081
Total Taxes	54,500	54,500	75,007	20,507
Licenses and Permits:				
Business Licenses	350	350	400	50
Building Permits	2,500	2,500	3,050	550
Total Licenses and Permits	2,850	2,850	3,450	600
Intergovernmental Revenue:				
Class C Road	40,000	40,000	35,670	(4,330)
State Grants	201,000	201,000	205,670	4,670
Federal Grants	50,078	50,078	41,464	(8,614)
State Liquor Allotment	90	90	-	(90)
Total Intergovernmental Revenue	291,168	291,168	282,804	(8,364)
Charges for Services:				
Millard County Fire District	7,000	7,000	6,550	(450)
Ambulance	27,000	25,000	23,663	(1,337)
Total Charges for Services	34,000	32,000	30,213	(1,787)
Other Revenue:				
Interest	6,600	6,600	12,060	5,460
Miscellaneous	4,000	4,000	231	(3,769)
Total Miscellaneous Revenue	10,600	10,600	12,291	1,691
Total Revenues	393,118	391,118	403,765	12,647

**SCIPIO TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Expenditures:				
General Government:				
Administration	32,718	32,718	19,930	12,788
Elections	1,800	1,800	1,826	(26)
Non-Departmental	18,600	18,600	12,288	6,312
General Government Buildings	450	450	52	398
Total General Government	<u>53,568</u>	<u>53,568</u>	<u>34,096</u>	<u>19,472</u>
Public Safety:				
Fire Protection	8,700	8,700	8,663	37
Emergency Services	32,000	30,000	10,682	19,318
Total Public Safety	<u>40,700</u>	<u>38,700</u>	<u>19,345</u>	<u>19,355</u>
Highway and Public Improvements:				
Repairs and Maintenance	<u>228,500</u>	<u>228,500</u>	<u>175,954</u>	<u>52,546</u>
Culture and Recreation:				
Parks	<u>70,350</u>	<u>70,350</u>	<u>52,539</u>	<u>17,811</u>
Total Expenditures	<u>393,118</u>	<u>391,118</u>	<u>281,934</u>	<u>109,184</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	121,831	<u>121,831</u>
Fund Balance - Beginning			<u>193,269</u>	
Fund Balance - Ending			<u>315,100</u>	

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

**SCIPIO TOWN
NONMAJOR GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

CAPITAL PROJECTS FUND

Capital Projects:

The Capital Projects Fund is used to account for the acquisition of capital assets or construction of major capital improvements.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund:

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**SCIPIO TOWN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2006

	<u>Capital Projects</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Other Government Funds</u>
ASSETS			
Cash and Cash Equivalents	<u>110,117</u>	<u>58,065</u>	<u>168,182</u>
TOTAL ASSETS	<u><u>110,117</u></u>	<u><u>58,065</u></u>	<u><u>168,182</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved, Reported in:			
Capital Projects Fund	110,117	-	110,117
Perpetual Care Fund	<u>-</u>	<u>58,065</u>	<u>58,065</u>
Total Fund Balances	<u><u>110,117</u></u>	<u><u>58,065</u></u>	<u><u>168,182</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>110,117</u></u>	<u><u>58,065</u></u>	<u><u>168,182</u></u>

SCIPIO TOWN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2006

	<u>Capital Projects</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Nonmajor Government Funds</u>
Revenues:			
Interest	<u>-</u>	<u>1,830</u>	<u>1,830</u>
Total Revenues	<u>-</u>	<u>1,830</u>	<u>1,830</u>
Expenditures:			
Parks and Recreation	<u>-</u>	<u>1,971</u>	<u>1,971</u>
Net Change in Fund Balance	<u>-</u>	<u>(141)</u>	<u>(141)</u>
Fund Balances - Beginning	<u>110,117</u>	<u>58,206</u>	<u>168,323</u>
Fund Balances - Ending	<u><u>110,117</u></u>	<u><u>58,065</u></u>	<u><u>168,182</u></u>



COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council
Scipio Town
Scipio, Utah 84656

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Scipio Town as and for the year ended June 30, 2006, which collectively comprise Scipio Town's basic financial statements and have issued our report thereon dated January 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scipio Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

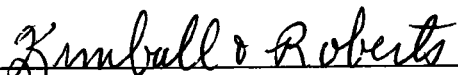
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scipio Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Scipio Town in a separate letter dated January 29, 2007.

Honorable Mayor and Town Council
Scipio Town
Page -2-

This report is intended solely for the information and use of management and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

January 29, 2007
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Scipio Town
Scipio, Utah 84656

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Scipio Town, for the year ended June 30, 2006, and have issued our report thereon dated January 29, 2007. As part of our audit, we have audited Scipio Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance program from the State of Utah:

Class "C" Road Funds (Department of Transportation)

The Town also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Scipio Town's financial statements.)

Ambulance Grant (Department of Health)
Fire Department Grant (Department of Public Safety)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Scipio Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and Town Council
Scipio Town
Page -2-

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Scipio Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

January 29, 2007
Richfield, Utah

**SCIPIO TOWN
MANAGEMENT LETTER
JUNE 30, 2006**

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

FINDINGS AND RECOMMENDATIONS

Honorable Mayor and Town Council
Scipio Town
Scipio, Utah 84656

During our audit of the funds of Scipio Town for the fiscal year ended June 30, 2006, we noted certain circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROLS:

Minutes of Town Board Meetings

Finding:

During our audit we were not able to read the minutes of the Town board meetings because the minutes could not be located.

Recommendation:

We recommend that when the minutes are approved they be stored in a secure location.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Payroll

Finding:

We noted that the payroll in the general ledger did not agree with the payroll reported on the 941 forms for the fiscal year.

Recommendation:

We recommend that the payroll be properly classified to the appropriate general ledger accounts.

Honorable Mayor and Town Council
Scipio Town Corporation
Page -2-

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Scipio Town Corporation's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

January 29, 2007
Richfield, Utah